

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-09 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00

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TO SECSTATE WASHDC 544

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

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US MISSION EC BRUSSELS

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C O N F I D E N T I A L ROME 5290

E.O. 11652: GDS

TAGS: ETRD, EEC, IR, IT

SUBJECT: EEC PREFERENTIAL ARRANGEMENT WITH IRAN

REF: ROME 17727 (1974) AND PREVIOUS

1. FRANCISCI, MFA OFFICIAL IN CHARGE MULTILATERAL AFFAIRS,
TOLD ECON/COMM MINISTER IN CONVERSATION APRIL 9 THAT IRAN HAS
BEGUN TO PUT PRESSURE ON GOI BECAUSE OF ITS OPPOSITION TO
PREFERENTIAL DUTY-FREE ENTRY REFINED OIL PRODUCTS INTO EC.
SPECIFICALLY, IRANIANS ARE SUGGESTING THAT ITALIAN QTE DISCRIMINA-
TION UNQTE AGAINST IRAN IN THE FACE OF OTHERWISE GENERAL EC
ACCEPTANCE OF SPECIAL ARRANGEMENT IS BRINGING INTO QUESTION
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OTHER ELEMENTS IN IRAN-EC RELATIONS, I.E. INDUSTRIAL AND

FINANCIAL COOPERATION.

2. GOI, FRANCISCI SAID, FEELS SOMEWHAT ISOLATED IN VIEW OF LACK OF OTHER ACTIVE OPPOSITION IN EC TO FRG ON ISSUE. HE ACKNOWLEDGED THAT UK HAS NOT CHANGED ITS POSITION BUT REITERATED THAT GOI FEELS ITSELF VULNERABLE TO IRANIAN PRESSURE.

3. IN ADDITION TO PRACTICAL PROBLEMS CREATED FOR ITALIAN REFINERS (INCLUDING, HE NOTED, US MAJORS IN ITALY) IN THE EC MARKET, FRANCISCI IS CONCERNED OVER IMPACT ANY AGREEMENT ON OTHER PRODUCERS, NAMING SPECIFICALLY ALGERIA, LIBYA AND SAUDI ARABIA. ITALIANS ARE AWARE THAT ITALIAN POSITION AS THE MAJOR EXPORT REFINER IN EC IS BOUND TO DECLINE OVER TIME, BUT WANT A GRADUAL TRANSITION WHICH WILL ALLOW ITALIAN PETROLEUM SECTOR TO ADJUST OVER TIME.

4. ECON/COMM MINISTER REITERATED US OBJECTIONS TO A PREFERENTIAL ARRANGEMENT. FRANCISCI WAS PERFECTLY AWARE OF US POSITION WHICH HE SAID ITALY CONTINUES TO SHARE FOR REASONS OF PRACTICE AND PRINCIPLE. HE COMMENTED THAT THE COMMISSION REMAINS OPPOSED AND THAT IT MAY BE POSSIBLE TO FIND A WAY OUT OF THE DILEMMA.

5. COMMENT. SINCE THIS ISSUE LAST SURFACED IN DECEMBER (REFTEL), THE ITALIAN FINANCIAL SITUATION HAS IMPROVED SUBSTANTIALLY, WHICH REDUCES SOMEWHAT THE URGENCY FOR RECEIVING IRANIAN FINANCIAL ASSISTANCE, AT LEAST IN THE SHORT TERM. IRANIAN LEVERAGE IN TERMS OF LARGE CONTRACTS STEMMING FROM THE LEONE VISIT LAST DECEMBER REMAINS LARGE. NONE OF THESE CONTRACTS HAVE BEEN SIGNED AND THE DELAY IN RECENT WEEKS MAY BE A FORM OF SPECIFIC IRANIAN PRESSURE, ALTHOUGH IN SOME INSTANCES THERE ARE COMMERCIAL PROBLEMS INVOLVED. IN THE ABSENCE OF SOME SUPPORT FROM ITS EC PARTNERS, WE BELIEVE THAT ITALY WILL HAVE GREAT DIFFICULTY IN MAINTAINING ITS RESISTANCE.BEAUDRY

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